

## **PREDICT – Guiding policies and best practices for engagement with in-country implementing partners and collaborators**

*Last updated: February 20, 2017*

The following guidelines have been developed by PREDICT's Operations Management team to support all Consortium partners and their collaborating partners with effective and compliant project implementation. These guidelines are provided in support of teams achieving their deliverables while also remaining in US federal compliance and as an additional resource to ensure due diligence in implementing and monitoring subawards and subcontracts with collaborators in accordance with USAID desired practices. Please also see *Appendix 1 – the UC Davis Office of Research, Sponsored Programs Mini-audit Questionnaire* and *Appendix 2 – Recipient Control Environment Assessment Checklist (ADS 591 sab)*.

This document will continue to evolve, adding additional guidance as needed to address unforeseeable issues that arise.

Please contact the PREDICT Operations Management team with any questions ([predict@ucdavis.edu](mailto:predict@ucdavis.edu))

### **Best practices for determining whether costs are allowable**

All PREDICT Consortium partners should have a mechanism in place to ensure that all expenses (including those billed by subrecipients) and associated supporting documentation are reviewed in detail by their organization's administrative or financial management lead, who will ensure the expenses are allowable in accordance with the applicable cost principles (2 CFR 200), allocable and reasonable based on project objectives, and in alignment with the approved project budget. Appropriate supporting documentation materials include (but are not limited to) vendor invoices and quotes, departmental purchase requests and order forms, packing slips, receipts, employee labor reports, and subrecipient and subcontractor invoices. All internal approvals required for procurement or travel should be documented and included in the supporting materials. USAID approvals required for international travel and equipment purchases (including those billed by subrecipients) should also be verified before costs are billed to project funds. In addition, each in-country team should discuss desired best practices for country partner management and make all attempts to comply. Requests from Missions that differ from ongoing PREDICT best practices or those that are not readily achievable should be brought to the attention of the PREDICT Executive Board immediately.

### **Best practices for development and management of subawards and subcontracts**

Each Consortium partner should strive to frequently communicate project management expectations regarding appropriate business practices and ethical behavior and enforce best practices through regular staff and project team meetings with all collaborators, regardless of geographic or social distance.

In order to ensure compliance with all applicable federal and established organizational policies and procedures, individual portions of the project should be specifically assigned (wherever possible) for oversight to one individual who is trained in detail and very

knowledgeable in federal and organizational compliance for that aspect of the program (e.g. administrative or financial management lead, travel coordinator, purchasing assistant). Each of these individuals is responsible for overseeing all activities (including those of subrecipients) in her/his area of oversight. In addition, the administrative or financial management lead should thoroughly review subrecipient and subcontractor budgets and invoices to ensure supporting documentation is sufficient and that all amounts billed are allowable, allocable, and appropriate in accordance with the approved budget.

Though a commonly-accepted practice in many countries, salary supplements or “top ups” for staff of foreign governmental entities or parastatals are **NOT ALLOWED**. Supplementing or “topping up” existing salaries by paying a salary rate above the individual’s pre-project pay rate or by receiving compensation from the project above and beyond their established 100% level of effort (LOE) compensation is prohibited. If governmental/parastatal employees are to be engaged in PREDICT activities, the Consortium partner managing the in-country activities must secure written permission from the supervising ministry acknowledging that their employee(s) is participating in the project and that the ministry or department is supportive of the employee spending time on the project. If payment for government/parastatal employees is to be provided by PREDICT, a subaward or subcontract detailing the financial relationship with the ministry should be put in place to facilitate payment and document that written permission was obtained. Government/parastatal employees should not be paid through individual contracts or agreements. As always, all new subawards and government/parastatal subcontracts must go through necessary USAID review before being executed.

For all project participants, each Consortium partner is responsible (via the administrative or financial management lead or other appropriate mechanism) for ensuring all employees are hired in accordance with all applicable US federal and host country laws and regulations. Partners are responsible for verifying that local salaries are being set at appropriate levels and fringe benefits are being billed using established and documented organizational rates. Salary rates should be verified by recent pay stubs, established pay scales, or other appropriate documentation prior to budgeting or allowing individuals to engage in PREDICT project activities to ensure correct salary rates are used when budgeting and establishing new subawards or negotiating rates for new subcontracts. Partners should also take care to very clearly explain that the project will pay for a portion of each employee’s time for their work on the project (not to exceed 100% LOE inclusive of non-PREDICT duties, except where specifically permitted by law and approved as exception).

#### **Procedures for monitoring compliance with federal awards and to identify unusual or unexpected results that could indicate potential fraudulent manipulation**

Each Consortium partner’s administrative or financial management lead should plan to review project account ledgers monthly to ensure that expenses incurred are tracked against approved project budgets and to identify variances and unusual or unexpected activity to facilitate immediate corrective action (if needed). Monthly subrecipient expense reports/invoices should be reviewed to ensure billings are appropriate in accordance with approved budgets and that all required approvals from the sponsor are obtained before expenses are charged to project funds. Furthermore, annual subrecipient reviews should be internally conducted to assess supporting documentation (including labor reports, receipts, invoices, etc.) for randomly selected invoices and/or

transactions to ensure amounts invoiced are reconcilable, allowable, allocable, and reasonable. PREDICT's Operations Management team at headquarters will also strive to maintain frequent contact (daily to weekly) with administrative teams at each Consortium partner and with other subrecipients to provide guidance and support for their efforts to ensure compliance with applicable award terms and conditions.

**MINI-AUDIT QUESTIONNAIRE**

The purpose of this questionnaire is to help us determine your organization's fiscal responsibility.

**Section A – Organizational Data**

Name of Organization: \_\_\_\_\_

DUNS Number: \_\_\_\_\_ Year Established: \_\_\_\_\_

Number of Employees: Full Time: \_\_\_\_\_ Part Time: \_\_\_\_\_

**Section B – Financial Status & Cash Management**

1. Does your organization have its financial statements reviewed by an independent public accounting firm? ☐ Yes ☐ No

If no, move to question 2. If yes, answer questions below.

Date of last financial Audit: \_\_\_\_\_ Fiscal Period Audited: \_\_\_\_\_

Audit firm: \_\_\_\_\_

Was the auditor's Opinion on Financial Statements Qualified? ☐ Yes ☐ No

2. Other than financial statements, has any aspect of your organization's activities been audited within the last two years by a governmental agency or independent public accountant? ☐ Yes ☐ No If yes, please explain.

3. Are duties separated so that no one individual has complete authority over an entire financial transaction? ☐ Yes ☐ No

4. Are controls in place to prevent expenditure of funds in excess of approved, budgeted amounts? ☐ Yes ☐ No

5. Are Federal contract/grant funds deposited in a separate bank account? ☐ Yes ☐ No

If a separate bank account is not maintained, can the Federal funds and expenses be readily identified? ☐ Yes ☐ No

6. Are all disbursements properly documented with evidence of receipt of goods or performance of services? ☐ Yes ☐ No

7. Are all bank accounts reconciled monthly? ☐ Yes ☐ No

**Section C – Payroll, Procurement, Property Management**

8. Are payroll charges checked against program budgets? ☐ Yes ☐ No

9. What system does your organization use to control paid time, especially time charged to sponsored agreements?

10. Are there procedures to ensure procurement at competitive prices? ☐ Yes ☐ No

11. Is there an effective system of authorization and approval of:

Capital equipment expenditures? ☐ Yes ☐ No

Travel expenditures? ☐ Yes ☐ No

12. Are detailed records of individual capital assets kept and periodically balanced with the general ledger accounts? ☐ Yes ☐ No

13. Are there procedures for authorizing and accounting for the disposal of property and equipment? ☐ Yes ☐ No

14. Are detailed property records periodically checked by physical inventory? ☐ Yes ☐ No

15. Briefly describe the organization's policies concerning capitalization and depreciation.

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**Section D – Cost Transfers, Indirect Costs, Cost Sharing**

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16. How does the organization ensure that all cost transfers are legitimate and appropriate?
17. Does the organization have an indirect cost allocation plan or a negotiated indirect cost rate? ☐ Yes ☐ No  
Explain.
18. Does the organization have procedures which provide assurance that consistent treatment is applied in the distribution of charges to all grants? ☐ Yes ☐ No
19. How does the organization determine that it has met cost-sharing goals?

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**Section E – Compliance**

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20. Does your organization engage in any lobbying or partisan political activity which is charged, directly or indirectly, to a federally-assisted program? ☐ Yes ☐ No
21. Does your organization have a formal policy of nondiscrimination and a formal system for complying with Federal civil rights requirements? ☐ Yes ☐ No
22. Does your organization have cash forecasting process which will minimize the time elapsed between the drawing down of funds and the disbursement of those funds? ☐ Yes ☐ No
23. Is your organization familiar with Federal financial reports so that they will be completed in an accurate and timely manner when required? ☐ Yes ☐ No
24. Under which program(s), if any, does your organization receive Federal Student Financial Assistance Funds?
25. What was the dollar volume of Federal awards to your organization during the last fiscal year?

26. Additional Comments:

I certify to the best of my knowledge and belief that the foregoing statements are true and accurate.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

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This document consists of two parts: Appendix A, Recipient Control Environment Assessment Checklist, and Appendix B, Non-U.S.-Based Organizations Assessment Guide.

## **APPENDIX A**

### **RECIPIENT CONTROL ENVIRONMENT ASSESSMENT** **CHECKLIST**

#### **Control Environment:**

Control environment risk factors incorporate management's attitude, awareness, and actions concerning an organization's control environment. It is important that the individual performing the risk assessment obtain sufficient knowledge of the control environment to determine whether the collective effect of these factors establishes, enhances, or mitigates the effectiveness of the specific control techniques. In making this determination, the reviewer should consider the following factors and their effect on the organization's internal controls. The specific conditions listed below may indicate the presence of control environment weaknesses.

#### **A. Management's Philosophy and Operating Style:**

- Management lacks concern about internal controls and the environment in which specific controls function.
- Management demonstrates an aggressive approach to risk taking and accounting policies.
- Management is slow to respond to crisis situations in both operating and financial areas.
- Management uses unreliable and inaccurate information to make business decisions.

- Unexpected reorganization or replacement of management staff or consultants occurs frequently.
- There is a high turnover of management personnel.
- Management is overly optimistic regarding performance of programs and activities, and financial estimates consistently prove to be significantly overstated or understated.
- Management is not able to adapt to new or untraditional roles required to meet the changing needs of the organization.
- Communication and feedback systems within the organization are inadequate.
- The organization's financial sustainability is questionable.

B. The Entity's Organizational Structure:

- The organizational structure is inappropriate for the entity's size and complexity.
- The structure inhibits segregation of duties for initiating and recording transactions and maintaining custody over assets.
- Delegation of responsibility and authority is inappropriate, and the number of supervisors is inadequate or supervisors are inaccessible.
- Inexperienced and/or incompetent accounting personnel are responsible for transaction processing.
- Policies and procedures are established at inappropriate levels.
- A high degree of manual activity is required in capturing, processing, and summarizing data.
- Activities are dominated and controlled by a single person or a small group.

- The potential exists for officials of the organization to obtain financial or other benefits on the basis of decisions made or actions taken in an official capacity.
- Organizational conflict of interest exists and is an accepted practice.
- The organization is highly centralized with minimal review provided by top management.
- The organization is highly decentralized with minimal review provided by branch managers or other sub-organization management.
- The organization has many subrecipients or branches in many in numerous geographical locations.

C. Methods of Assigning Authority and Responsibility:

- The entity's policies are inadequate regarding the assignment of responsibility and the delegation of authority for such matters as organizational goals and objectives, operating functions, and regulatory requirements.
- Employee job descriptions do not adequately describe specific duties, responsibilities, reporting relationships, and constraints.

D. Management's Monitoring of Performance:

- Management is not sufficiently involved in reviewing the organization's performance.
- Management control methods are inadequate to investigate unusual or exceptional situations and to take appropriate and timely corrective action.
- Management's follow-up action is not timely or inappropriate in response to communications from external parties, including complaints, notification of errors in transactions with parties, and notification of inappropriate employee behavior.



E. Human Resources Policies and Practices:

- Human resources policies for hiring, retaining, and rewarding capable people are inadequate.
- Standards and procedures for hiring, promoting, transferring, retiring, and terminating personnel are insufficient.
- Training programs do not offer employees the opportunity to improve their performance, encourage their advancement, or provide a vehicle for addressing employee or organizational weaknesses relative to new laws, regulations, and policies.
- Written job descriptions and reference manuals are inadequately maintained.
- The channels of communication for employees reporting suspected improprieties are inappropriate.
- Policies on employee supervision are inappropriate or obsolete.
- Policies and procedures do not provide for employee empowerment nor do they encourage and support risk taking and initiatives for performance improvement.

F. Budget Control:

- Little or no guidance material and instructions are available to provide direction to those preparing the budget.
- The budget review, approval, and revision process is not defined or understood.
- Management demonstrates little concern for reliable budget information.
- Management participation in directing and reviewing the budget process is inadequate or limited.

- Management is not involved in determining when, how much, and for what purpose expenditures can be made.
- Actual expenditures are not periodically compared to budgets.

G. Compliance with Laws and Regulations:

- Management is unaware of applicable laws and regulations and potential problems.
- A mechanism to inform management of the existence of illegal acts does not exist.
- Management neglects to react to identified instances of noncompliance with laws and regulations.
- Policies and procedures for complying with laws and regulations are weak or nonexistent.
- Policies on such matters as acceptable business practices, conflicts of interest, and codes of conduct are weak or nonexistent.
- The organization and/or its subrecipients are receiving USAID funding for the first time and are not familiar with our compliance requirements.

H. Changing Conditions:

- The mechanisms for identifying and communicating events, activities, and conditions that affect operations or financial reporting objectives are insufficient.
- Accounting and/or information systems are not modified in response to changing conditions.
- Consideration is not given to designing new or alternative controls in response to changing conditions.

- Management is unresponsive to changing conditions.

## **Risk Assessment Checklist:**

Once the reviewer has developed a reasonable understanding of the organization's control environment, the following risk assessment checklist should be completed. The checklist details the specific control techniques that should be reviewed in order to determine the risk level for each recipient of USAID funds that expends less than \$300,000 per fiscal year and is not required to have an annual audit. The checklist should be completed for each applicable recipient and updated on a periodic basis.

### **I. AUTHORIZATION**

Authorization controls are designed to provide reasonable assurance that transactions, events from which they arise, and procedures under which they are processed are authorized in accordance with laws, regulations, and management policy. Typical authorization controls include:

1. Documented policies establish events or transactions that the organization is authorized to engage in by law, regulation, or management policy.
2. Documented policies and procedures exist for processing transactions in accordance with laws, regulations or management policy.
3. Master files include only authorized employees, customers, or suppliers.

### **II. APPROVAL**

Approval controls are designed to provide reasonable assurance that appropriate individuals approve recorded transactions in accordance with management's general or specific criteria. Typical approval controls include:

1. Specific transactions are approved by persons having the authority to do so in accordance with established policies and procedures.
2. Transactions are compared with predetermined expectations, and exceptions are reviewed by someone authorized to approve them.

3. Transactions are compared with approved master files before approval or acceptance, and exceptions are reviewed by someone authorized to approve them.
4. Key records are matched before a transaction is approved (matching purchase order, receiving report, and vendor invoice before the invoice is approved for payment).
5. Prior to acceptance, changes to data in existing files are independently approved, evidenced by documentary approval of input before processing.

### III. Segregation of Duties

Segregation of duties controls are designed to reduce the opportunities for someone to perpetrate and/or conceal errors or irregularities in the normal course of their duties. Typical segregation of duties controls include:

1. The individual responsible for the cash receipts function does not sign checks or reconcile the bank accounts, and is not responsible for noncash accounting records such as accounts receivable, the general ledger, or the general journal.
2. The person receiving cash does not have the authority to sign checks and reconcile bank accounts and does not have access to accounting records other than cash receipts.
3. Different individuals are responsible for purchasing merchandise or services, receiving merchandise or services, and approving vouchers.
4. Different persons prepare checks, sign checks, reconcile bank accounts, and have access to cash receipts.

### IV. Design and Use of Records

The purpose of controls over the design and use of records is to help provide reasonable assurance that transactions and events are properly recorded.

1. Pre-numbered forms are used to record all of an organization's transactions, and accountability is maintained for the sequence of all numbers used.
2. Receiving reports, inspection documents, etc., are matched with billing notices or other documents used to record delivered orders and related liabilities to provide assurance that only valid transactions are recorded.
3. Transaction documents, such as vendor invoices and shipping documents, are date stamped and tracked to ensure that they are recorded on a timely basis.
4. Source documents are canceled after processing to provide assurance that the same documents will not be reused and will not result in recording transactions more than once. Also, only original documents are used to process transactions.

#### V. SAFEGUARDS OVER ACCESS TO AND USE OF ASSETS AND RECORDS

Access controls are designed to protect assets and records against physical harm, loss, misuse, or unauthorized alteration. These controls restrict unauthorized access to assets and records. Typical access controls are:

1. Cash receipt totals are recorded before cash is transmitted for deposit.
2. Secured facilities are used when appropriate, and access to critical forms and equipment is limited to authorized personnel.
3. Access to programs and data files is restricted to authorized personnel.
4. Assets and records are protected against physical harm.
5. Incoming and outgoing assets are counted, inspected, and received or given up on the basis of proper authorization in accordance with established procedures.

6. Procedures are established to provide reasonable assurance that current files can be recovered in the event of a computer failure.
7. Access to critical forms and records is restricted.

#### VI. INDEPENDENT CHECKS

Controls in this category are designed to provide independent checks on the validity, accuracy, and completeness of processed data. The following procedures are typical of this category of controls:

1. Calculations, extensions, additions, and accounting classifications are independently reviewed.
2. Assets on hand are periodically inspected and counted, and the results are compared with asset records.
3. Subsidiary ledgers and records are reconciled to the general ledger.
4. The organization promptly follows-up on complaints from vendors, customers, employees, and others.
5. Management reviews performance reports.
6. Data from different sources are compared for accuracy and completeness (the cash journal entry is compared with the authenticated bank deposit slip).
7. Actual operating results are compared with approved budgets, and variances are explained.

#### VII. VALUATION OF RECORDED AMOUNTS

Controls in this category are designed to provide assurance that assets are valued at appropriate amounts. Typical valuation controls are:

1. Periodically, the condition and marketability of assets are evaluated (for example, accounts

receivable are periodically evaluated for collectibility).

2. Recorded data are compared with information from an independent third party (for example, recorded cash is reconciled to bank statements).
3. Assessed values, such as independent appraisals of assets, are compared with the accounting records.

#### VIII. SUMMARIZATION OF ACCOUNTING DATA

Controls in this category are designed to provide assurance that transactions are accurately summarized and that any adjustments are valid. Typical controls in this category include:

1. The sources of summarized data are compared with the underlying subsidiary records and/or documents before the data are accepted for inclusion in summarized records and reports.
2. Procedures are followed to check the completeness and accuracy of data summarization, and exceptions are reviewed and resolved by authorized persons.

#### IX. ASSETS AND LIABILITIES

Controls in this category are designed to provide assurance that (1) the organization owns recorded assets, with the ownership supported by appropriate documentation; (2) the organization has the rights to its assets at a given date; and (3) recorded liabilities reflect the organization's legal obligations at a given date. The following procedures are typical for this category of controls:

1. Policies and procedures are documented for initiating transactions and for identifying and monitoring those transactions and amounts requiring attention relative to ownership issues.
2. Policies and procedures are documented for initiating and monitoring transactions and amounts related to liabilities.



3. Significant transactions require the approval of senior management.
4. Reported results and balances are compared with plans and authorizations.

#### X. PRESENTATION AND DISCLOSURE

Controls in this category are designed to provide assurance that (1) accounts are properly classified and described in the financial statements; (2) the financial statements are prepared in accordance with applicable accounting principles; and (3) footnotes contain all information to be disclosed. The following procedures are typical of this category of controls:

1. Policies and procedures are documented for accumulating and disclosing financial information in the financial statements by appropriate personnel and in accordance with the terms of the agreement. Responsibility is assigned to specific individuals.
2. Policies and procedures are documented for preparing financial statements by authorized personnel having sufficient experience and expertise to ensure compliance with applicable accounting principles.
3. Policies and procedures are documented for properly classifying and describing financial information in the financial statements.
4. Reports are periodically substantiated and evaluated by supervisory personnel. Procedures have been implemented to detect errors and omissions and to evaluate recorded balances.
5. A written chart of accounts containing a description of each account is used. Journal entries are prepared, reviewed, compared with supporting details where necessary, and approved each accounting period.
6. Appropriate processing procedures are used, including control or batch totals; written cutoff and closing schedules are also used.

7. The same chart of accounts is used for both budgeting and reporting, and variances between actual and planned results are analyzed.

## **APPENDIX B**

### **SUGGESTED APPROACH**

#### **NON-U.S.-BASED ORGANIZATIONS ASSESSMENT GUIDE**

### **INTRODUCTION**

This document provides a suggested approach for completing the Recipient Control Environment Assessment Checklist, as well as guidelines for using the results.

### **PERFORMING THE EVALUATION**

Many of the elements addressed in the checklist may be evaluated as a part of pre-award surveys, desk reviews, or site visits.

PRE-AWARD SURVEY: Site visits by M/MPI and M/OP indicated that a number of Mission Controller offices are already using a pre-award survey that is very similar to the risk assessment checklist. Applicable components of the checklist should be addressed at this stage.

DESK REVIEWS: Most local recipients receive USAID funds on a reimbursable or periodic advance basis. Missions typically perform desk reviews of such requests, and, on occasion, verify actual costs for which the recipient is claiming to the recipient's books and records. These reviews provide not only a basis for reimbursing the recipient, but also provide valuable information about the control environment and risk assessment. For example, Risk Assessment Checklist, Part II, Approval, 4, states "Key records are matched before a transaction is approved (matching purchase order, receiving report, and vendor invoice before the invoice is approved for payment)." Requests for reimbursement or periodic advances which are not adequately supported are documented as an increased risk.

SITE VISITS: Visits to local recipients by qualified Mission financial personnel to complete the checklist are an integral part of the program. However, site visits by

Activity Managers or other SO team members can also provide valuable information. For example, Risk Assessment Checklist, Part V, Safeguards Over Access To And Use Of Assets And Records, 4, states "Assets and records are protected against physical harm." Part VI, Independent Checks, 5, states "Management reviews performance reports." Non-financial Mission personnel can determine whether these types of controls exist and can help the Controller's office maintain an up-to-date status on the recipient's control environment.

### **ELEMENTS OF THE CHECKLIST**

The elements of the checklist are phrased so as to elicit a yes/no answer. Not applicable (N/A) is also a valid answer. For example, one control environment element states, "There is high turnover of management personnel". The Mission may not be familiar enough with the new recipient to determine whether the organization encountered high turnover of management personnel. Therefore, that element would be identified as N/A. As the organization matures and a history is developed, the response should be changed to yes or no. Each response, yes, no, or N/A, needs to be assessed individually and collectively. Individually, so as to provide a recommended course of action for material weaknesses. Collectively, so as to place individual weaknesses in perspective and to provide an overall assessment as it relates to the adequacy of the recipient's financial management and accounting system.

The control environment sets the tone of the organization, influencing the control consciousness of its people. An understanding of the control environment serves as the framework for evaluating the overall internal controls of the organization. While much of the evaluation of the control environment is based on observation of the organization and its workings; to the extent possible, the control environment should be completed and referenced to the objective data reviewed.

### **DOCUMENTING THE REVIEW**

The assessment checklist is the objective basis from which you will be determining the degree of oversight necessary to demonstrate proper accountability of funds provided to recipients. Proper documentation of the yes, no, and N/A responses is critical. As noted above, much of the risk

assessment will be based on your pre-award surveys and interim reviews. The risk assessment should reference the workpaper(s) in the respective files which support the yes, no, or N/A. This is where the documentation should reside. The yes, no, N/A, and reference notations should be made in the right hand column of the checklist across from the specific element being evaluated.

### **USING THE RESULTS**

In all likelihood, Missions have been informally collecting historical information concerning local recipients' financial management systems. Some of this information has been kept as cuff records , while some is in the form of Mission "institutional knowledge". Much of the information has been from prior audits and reviews of organizations such as:

- Past findings (material or immaterial),
- Timeliness of the actions taken to correct all recommendations, and
- Adequate tracking and timely final action on all audit recommendations.

In the past, such information has served as the basis for Mission requests for recipient audits or the determination to perform detailed reviews of expenditure documentation. The use of the checklist will now assist the Mission in formally documenting this information and developing a risk level for each recipient. Based on the risk level and the results of prior reviews and audits, the following, or comparable, actions should be considered:

#### **Overall Risk Level**

#### **Suggested Actions**

High

A full scope annual recipient audit until the risk is reduced

Medium

A full scope recipient audit on 30 percent of this category every three years and interim reviews as deemed necessary

Low Interim reviews as deemed  
necessary

Based on the percentage of "no" answers to the checklist questions, a "suggested" determination of risk level would be as follows:

High	70 percent to 100 percent of answers are NO
Medium	31 percent to 69 percent of answers are NO
Low	0 percent to 30 percent of answers are NO

It is important for Missions to recognize that local conditions, the recipient's familiarity with USAID requirements, and the type of program will all impact the determination of the risk level. As such, the above percentages should be used only as a guideline and adjusted by each Mission as appropriate.

Due to the increase of the audit requirement threshold to \$300,000, Missions now have the sole oversight responsibility for recipients expending less than the threshold amount. With the limited amount of resources (personnel and dollars) available for such oversight, Missions are strongly encouraged to create and maintain a documented and supported plan for accountability of those funds. The Recipient Control Environment Assessment Checklist, used with the above or similar approach, should greatly assist the Missions in demonstrating that accountability.

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